

**ANNUAL REPORT
OF THE
WORKFORCE DEVELOPMENT
STUDY COMMITTEE**



**Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204**

November, 1998

INDIANA LEGISLATIVE COUNCIL

1998

Speaker John Gregg

Chairman

Sandborn

Senator Robert Garton

Vice-Chairman

Columbus

Representative Paul Mannweiler

Indianapolis

Senator Richard Young

Milltown

Representative Mark Kruzan

Bloomington

Senator Harold Wheeler

Larwill

Representative Dale Grubb

Covington

Senator Joseph Harrison

Attica

Representative William Cochran

New Albany

Senator Patricia Miller

Indianapolis

Representative Charlie Brown

Gary

Senator Thomas Wyss

Fort Wayne

Representative Jeffrey Linder

Waldron

Senator James Lewis

Charlestown

Representative Richard Mangus

Lakeville

Senator Earline Rogers

Gary

Philip J. Sachtleben
Executive Director
Legislative Services Agency

WORKFORCE DEVELOPMENT STUDY COMMITTEE

Membership Roster

Representatives

Brian Hasler, Chairperson
Evansville

John Day
Indianapolis

Cleo Duncan
Greensburg

Craig Fry
Mishawaka

Luther Lutz
Anderson

Candy Marendt
Indianapolis

Senators

Thomas Wyss, Vice-Chairperson
Fort Wayne

William Alexa
Valparaiso

Allie Craycraft
Selma

Glenn Howard
Indianapolis

Connie Lawson
Danville

John Waterman
Shelburn

Staff

Irma Reinumagi
Attorney for the Committee

Beverly Holloway
Fiscal Analyst for the Committee

I. STATUTORY DIRECTIVE

The Indiana General Assembly enacted legislation directing the Committee to do the following:

- (1) Identify the multiple sources and amounts of federal, state, and local funds that are used for workforce development activities.
- (2) Identify the multiple entities involved in the administration of the funds identified at both the state and local levels.
- (3) Identify how the funds identified are used to provide workforce development services, with a particular focus on analyzing whether the resources are being used effectively to place individuals in jobs.
- (4) Evaluate models used in other states to maximize the coordination of workforce development resources and to eliminate the duplication of planning activities.
- (5) Make recommendations to the General Assembly concerning how best to:
 - (A) coordinate overlapping funding sources and workforce development activities for workforce development; and
 - (B) coordinate overlapping local planning and coordinating boards involved in workforce development efforts.

II. INTRODUCTION AND REASONS FOR STUDY

During the 1997 legislative session, SB 405, which created workforce development boards to direct the uses of workforce development funds in each of the state's workforce development areas, was introduced. As introduced, the bill required a workforce development board to comply with requirements set forth in the federal law for private industry councils, and provided that at least 50% of the members of a board represented private industry and at least 15% of the members represented labor and community-based organizations, while other members represented the interests of educational agencies, vocational rehabilitation agencies, public assistance agencies, economic development agencies, and public employment services. Among the duties of a workforce development board specified in the introduced bill was the coordination of workforce development programs. During committee hearings in the Senate Public Policy committee, public testimony indicated that there was disagreement among affected parties as to

the composition of a workforce development board and its responsibilities. Thus, the bill was amended to create a two-year study committee.

III. SUMMARY OF WORK PROGRAM

The Committee met four times during the 1997 interim and twice during the 1998 interim.

IV. SUMMARY OF TESTIMONY

1997 Meetings:

At the first meeting, held on 22 August 1997, the Committee heard a presentation from Graham Toft and Andrew Zehner of the Indiana Economic Development Council that gave an overview of the current workforce development services delivery system in Indiana. The presentation outlined the major programs, agencies involved, and the substate governance structure of the system, and presented the following points:

1. The current system is categorical and dictated largely by federal funding and administrative requirements.
2. While it may seem confusing, current workforce development initiatives are organized in a system.
3. Some of the confusion and fragmentation of this system is imposed by the state.
4. Local leaders are frustrated with the current system and would like to make it more rational, simple, and flexible.
5. Sub-state, regional strategies are increasingly important given the current economy.
6. There are important linkages between economic development and workforce development that should be central to an effective workforce development system.

In addition, Mr. Zehner identified the following primary sources of federal funds for workforce development:

1. The Job Training Partnership Act (Federal Funding, 1996: \$35.9 Million).
2. The Carl D. Perkins Vocational and Applied Technology Act (Federal Funding, 1996: \$25.2 Million).
3. Temporary Assistance to Needy Families (TANF) (Federal Funding, 1996: \$27 Million).
4. Wagner-Peyser (Unemployment Insurance) (Federal Funding, 1996: \$15 Million).
5. Training 2000 (State Funding, 1996: \$13 Million).
6. School-to-Work (Federal Funding, 1996: \$3 Million).

In addition to the presentation by the Indiana Economic Development Council, several persons presented testimony concerning the current structure of private industry councils (PICs), and how PICs function in the different areas of the state.

The second meeting of the Committee was held on 22 September 1997. Craig Hartzer, Commissioner of the Indiana Department of Workforce Development (DWD), outlined the administration's perspective on reforming the current workforce development system, stressing two main points: that the administration supports local and regional solutions to local and regional problems, envisioning a flexible system with minimal bureaucracy, and that the administration supports enhanced coordination between state agencies involved in workforce development as vital to reducing waste, duplication, and inefficiency in service delivery.

In addition to Mr. Hartzer's testimony, representatives of unions that represent state employees provided suggestions for redesigning the workforce development delivery system, and an area vocational district director explained how the current high school vocational education system functions, and provided information concerning system redesign. The Committee also received testimony from the Indiana Building and Construction Trades Council, the Indiana Chamber of Commerce, the AFL/CIO, and the Indiana Private Industry Council Association.

The Committee's third meeting was held on 17 October 1997. At the Committee's request, Mr. Hartzer had prepared the following list of problems in the current workforce delivery system as well as options for solving the problems that the administration is considering:

- (1) Skills Shortage: workers lack the necessary training needed by business.
- (2) Inconsistent Quality of Service: workforce development service delivery varies significantly from region to region.
- (3) Confusing Service Delivery System: the current system does not provide a "seamless web" of services that are easy for workers to access.

Among the solutions Mr. Hartzer proposed were the use of the local planning councils established under SEA 477-1997, which are made up of all the critical constituencies in each county of the state. Demonstration projects for workforce development service delivery can be established, with DWD requesting federal waivers when necessary to facilitate the projects; for example, by consolidating federal funds from various sources into a block grant that can be locally administered. This type of remedy can be achieved administratively without requiring further legislative action. In addition, Mr. Hartzer stated that collaboration would be achieved through the interagency cooperation teams (DWD, FSSA, and Commerce) that have been established by the new administration. The Committee suggested that the Department of Education, which administers vocational education funds, be involved in the collaboration, and together the agencies could decide before the next meeting of the Committee whether legislation

is needed in the 1998 legislative session.

The final meeting of the Committee for the 1997 interim was held on 17 November 1997. At the meeting, the Committee reviewed a working draft of a proposal to establish a regional human resource investment demonstration project and received testimony. Mr. Hartzler spoke concerning interagency collaboration and the role of the state in assisting workforce development regions. He cautioned against moving ahead with a legislative solution at that time because of pending federal legislation and the creation of a jobs council by the Lieutenant Governor. In addition, he felt that the objectives of the working draft could be accomplished administratively without further legislation. The Committee also received testimony from representatives of several unions and other organizations urging the postponement of legislation at that time, while representatives of the Indiana Chamber of Commerce, the Indiana Private Industry Council Association, and the Indiana Economic Development Council urged the adoption of the working draft. The Committee decided not to go forward with legislation for the 1998 session, but to see what progress could be made administratively before the 1998 interim.

1998 Meetings:

At the first meeting, held on 24 August 1998, Mr. Hartzler presented an update of DWD's activities since the Committee's November meeting, focusing on three areas of activity: interagency and state action, community action, and federal action.

Interagency and state action: DWD has submitted a package of waiver requests to the U.S. Department of Labor, and is awaiting a response. DWD has asked the Indiana Department of Labor to review its own rules and policies to evaluate whether its processes can be streamlined. Because of the interest in what types of resources from the federal and state governments may be available to regional boards, DWD has prepared and distributed a funding matrix. An interagency group has met to review written proposals for regional programs, and Mr. Hartzler has observed greater collaboration and cooperation between state agencies.

Community action: In the process of developing regional workforce development boards, the Northern Indiana Workforce Development Services (serving Elkhart, Kosciusko, Marshall, and St. Joseph counties) is furthest along, having had a proposal approved by the state. Other regions that are involved in the process of establishing regional boards are Kankakee Valley, Northeast Indiana, Southeast Indiana, and West Central Indiana.

Federal action: Congress has enacted and President Clinton has signed the Workforce Investment Act of 1998 (WIA). The WIA must be implemented by the states by July 1, 2000, and the U.S. Department of Labor will have new regulations within the next six

months. While Mr. Hartzer sees the WIA as an opportunity for Indiana to improve its workforce systems, he noted that there do not appear to be any additional funds in the WIA.

Mr. Hartzer stated that he would have suggestions for legislation at the Committee's next meeting, if DWD's study determines that legislation is necessary for Indiana to take full advantage of the federal law.

In addition to the information presented by DWD, representatives of regional workforce development boards presented information concerning the proposals submitted to the state, and testified concerning the process of developing the boards and receiving approval from the state. Other representatives of workforce regions that have taken a different approach (for example, a program undertaken by the Southern Indiana Chamber of Commerce) provided testimony as well.

At the final meeting of the Committee, held on 23 October 1998, the Committee heard testimony from Mr. Hartzer concerning the WIA and Indiana's proposed response to the WIA. Mr. Hartzer summarized the goals and outcomes DWD sees as an appropriate response to the WIA, including building accountability into the workforce development system, the incorporation of a "work first" philosophy into the system, and establishing a "one-stop" system of service provision. He explained the partners required under the WIA for the one-stop system, including mandatory partners (such as WIA entities for adult, youth and displaced workers, welfare-to-work agencies, Title V agencies, DWD, HUD, adult education and literacy agencies, and vocational rehabilitation agencies), voluntary partners (such as national and community service agencies and food stamp programs), and optional partners (entities unique to Indiana that can be included, such as the Step Ahead and 21st century scholar programs). He emphasized that the WIA requires local elected officials to be heavily involved in the creation of regional boards.

Mr. Hartzer then reviewed the points DWD considers necessary in legislation that can be introduced to take advantage of WIA. The pivotal points include the following:

- (1) States must implement WIA by July 1, 2000. DWD recommends beginning implementation of WIA on July 1, 1999, and phasing in aspects as the state is prepared to do so.
- (2) The state board required under WIA can be an existing Human Resource Investment Council modified to come into compliance with WIA. The state board must draw a majority of its membership from the private sector.
- (3) Under WIA, the state administering agency must designate regions for

regional service delivery. These regions must take into account labor markets; thus, in Indiana some existing service areas may be combined. An existing regional service board that meets the requirements of WIA may be used. The state may wish to use local elected officials to evaluate these existing boards. DWD considers it important to separate regional boards from service delivery agencies, freeing the boards to deal with policy, planning, review, and other broader functions.

The Committee also received comments from other interested parties that stressed building collaborative capacity in local communities as the most important aspect of workforce development service provision and reminded the Committee of the needs unique to Indiana that must be addressed, such as the consolidation of multiple boards on the local level.

The Chairperson stated his intention to work with Senators Wyss and Alexa, Representative Lutz, and interested parties to develop legislation for the upcoming session that will take into consideration DWD's suggestions as well as the Jobs Council report published last year. This legislation will be circulated to all the Committee members for their input before its introduction in the General Assembly.

The Committee voted 7-0 to adopt the draft final report with the addition of a summary of the final meeting.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee made no findings of fact or recommendations.

A copy of this report is available on the Internet. Reports, minutes and notices are organized by committee. This report and other documents for this committee can be accessed from the General Assembly Homepage at <http://www.state.in.us/legislative/>.

WITNESS LIST

Linda Ard, AFSCME Council 62

B.J. Bischoff, Indiana Chamber of Commerce

Debi Bishop, UAW

Steve Corona, Fort Wayne

Steve Cunningham, Workforce Partnership Commission, Area 14

Mike Dalrymple, COVOH

Greg Fitzloff, Southern Indiana Chamber of Commerce

Jon Groth, Indiana Association of Area Vocational Districts

Pat Harrington, Indiana Private Industry Council Association

Craig Hartzer, Department of Workforce Development

Beverly Henkenhoff, New Castle

Norma Kacen, Indiana State Teachers Association

Ron Keeping, Southwest Indiana Workforce Development Consortium

Cordelia Lewis, AFSCME

Joe Loftus, Indiana Private Industry Council Association

Juan Manigault, Workforce Development Services of Northern Indiana

Tim McGann, Human Resource Investment Council

Lois Neloms, Indiana Private Industry Council Association

Jerry Payne, AFL/CIO

David Perlini, Indiana Department of Commerce

Gail Pluta, Indiana Federation of Teachers

Ben Ramsey, Indiana Building and Construction Trades Council

Derek Redelman, Indiana Chamber of Commerce

Terry Spradlin, Indiana Department of Education

Patty Shutt, Indiana Department of Education

Graham S. Toft, Indiana Economic Development Council, Inc.

Roy Vanderford, Indiana Private Industry Council Association

David Weintraub

Linda Woloschansky, Kankakee Valley Job Training Partnership

Andrew Zehner, Indiana Economic Development Council, Inc.